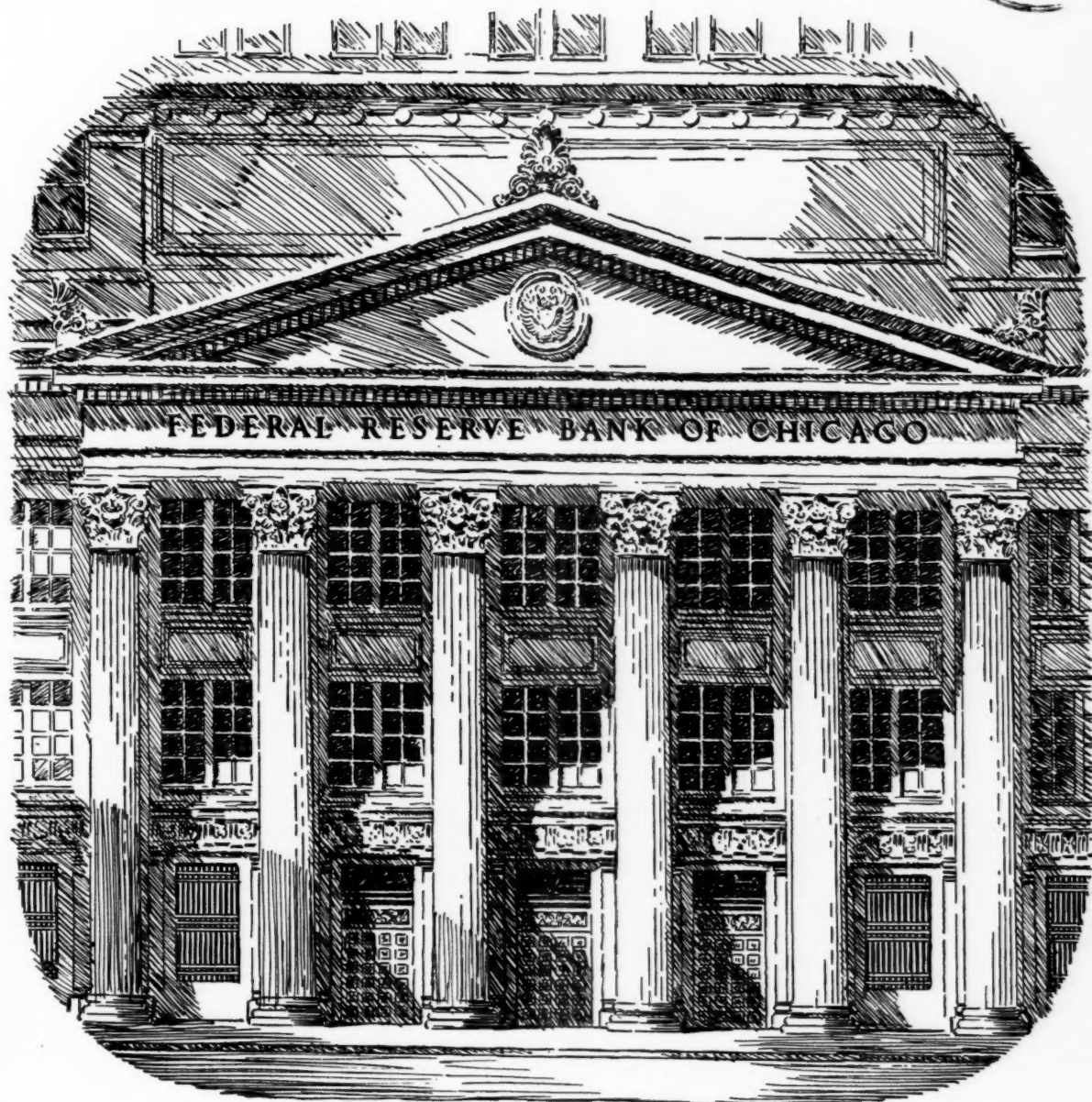


# BUSINESS CONDITIONS



Prepared by the  
Research and Statistics Department  
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Federal Reserve Bank of Chicago

## Monthly Review of Business Conditions in the Seventh Federal Reserve District

### DISTRICT SUMMARY

**TRENDS** in Seventh district industrial and trade activity recorded little change in May from those prevailing during recent months. Output of manufactures remained at a low level, the distribution of commodities was relatively small, and employment and payroll volumes showed further losses. Building construction furnished the most marked exception to the unfavorable factors, expansion in this industry being mainly due to increased public works and utilities construction. Also, production of foodstuffs was heavier this May than in the 1937 month.

#### INDUSTRY

**OUTPUT** from district steel mills continued at a low level through the middle of June and demand remained light. Production of steel and malleable castings was curtailed in May and shipments declined slightly, as new business failed to improve. At stove and furnace factories, activity expanded somewhat during May but was well below a year ago. Some further slowing-down was apparent in the manufacture of automobiles. Shipments from furniture factories declined more than seasonally in May, and new orders expanded less than is usual. There was only a small decrease, however, in output from district paper mills; furthermore, orders booked gained somewhat over those received in April and were slightly greater in dollar amount than in May last year. The volume of Seventh district building construction, as reflected by contracts awarded, was the heaviest since last July and much above a year ago, but the movement of building materials was only fair. Seventh district industrial employment and payrolls declined further in May, the heaviest losses being shown in the durable goods groups.

#### AGRICULTURAL PRODUCTS

**THE** production of packing-house commodities and of dairy products expanded in May and was greater than

in the 1937 month; with the exception of Wisconsin cheese, sales tonnages likewise increased in these comparisons. The movement of wheat rose seasonally and was the largest for May in five years; there was an exceptionally large movement of corn; and oats receipts and shipments increased. For the most part, favorable crop conditions prevailed in the third week of June. The planting of corn was practically completed at that time, but growth of the crop was behind normal.

#### TRADE

**IN THE** majority of reporting wholesale trade groups of the Seventh district, sales during May totaled less than in the preceding month, and decreases from a year ago remained large. The department store and retail shoe trades had smaller sales than in April, while sales of furniture and housefurnishings at retail showed a less than seasonal increase. In all of these retail trade groups, sales declines from the corresponding 1937 period were heavy. Stocks on hand at the end of May were noticeably lighter than last year at the same time, in both wholesale and retail lines.

#### CREDIT

**ANOTHER** new high was established on June 15 for member bank reserve balances in this district, due mainly to an inflow of commercial and financial funds from other districts. Total loans and investments of reporting member banks declined slightly further in the four weeks ended June 15, as reductions in loans and in holdings of United States Government direct obligations more than counteracted increases in holdings of obligations fully guaranteed by the Government and those of other securities. Demand deposits in these banks were noticeably larger than four weeks earlier, and time deposits were up slightly. There was a continued decline during May in new financing through bankers' acceptances, but a slight increase took place in dealer sales of commercial paper.

### Credit and Finance

#### MEMBER BANK RESERVES

**OWING** almost entirely to a heavy inflow of commercial and financial funds from other districts, Seventh district member bank reserve balances again reached a new record high of over 1,343 million dollars on June 15. The increase in reserves during the four-week period ended June 15 amounted to 129 millions, and the gain in inter-district funds—partially the result of recent corporate financing—came to nearly 113 millions. A decrease in currency circulation, an excess of Treasury disbursements over receipts, and an increase in Reserve bank credit extended had a comparatively minor effect on reserve balances.

#### INTEREST RATES

**THE** large Chicago and Detroit banks reported only slight variations in their interest rates charged between May 15 and the middle of June. Customers' rates of the outlying

Chicago banks, after rising somewhat between mid-April and May 15, eased off to about the same extent in the May-June period. Average rates earned in May on total loans and discounts by the larger downtown banks in Chicago and by the major Detroit banks both exceeded the April averages, the Chicago group showing the greater increase. However, the rates of earnings in each group averaged lower than in May 1937, with the Detroit divergence being the more noticeable.

#### OPEN MARKET PAPER

**ACCEPTING** banks in the Seventh district reported a contra-seasonal decrease of 12 per cent in new financing during May as compared with April. Bank holdings of acceptances and liability for outstandings at the end of May both showed 6 per cent drops from April 30, contrary to the normal trend in the former case and about what is expected in the latter. The decline in the volume of holdings was due primarily to reduced purchases of bills; maturities in May were smaller than in April. All of these items

continued to be far below a year ago, except for maturities of which there was an exceptionally light volume in May 1937. Declines from the 1928-37 averages widened to around 80 per cent. Acceptances made in June, up to the fifteenth of the month, by several of the large Chicago banks were slightly below the corresponding total for the first half of May but nominally higher than a year ago.

Commercial paper sales of reporting dealers in the Middle West ran 3 per cent higher in May than during April, though 25 and 27 per cent below May 1937 and the 1928-37 average for the month, respectively. Outstandings declined for the third successive month, the April-May drop amounting to 8 per cent; decreases were also shown from May 29, 1937, and from the 1928-37 average, amounting to 19 and 8 per cent, in that order. Rates continued soft; borrowing on commercial paper was somewhat reduced; and demand from the banks, especially the smaller institutions, was off very slightly, though relatively much better than the supply. Preliminary figures from Chicago dealers indicate that the volume of paper sold in the first half of June fell below that for the same period of May by over 40 per cent and was only about one third of the corresponding year-ago total. Demand continued excellent, but inability to obtain sufficient paper restricted dealer sales. The bulk sold at  $\frac{3}{4}$  per cent, with some prime short-term paper going at  $\frac{5}{8}$  per cent.

### SECURITIES MARKETS

**T**HE main feature of interest in the Midwest bond market during May and early June, in common with the rest of the country, was the increased volume of new issues. Municipal emissions for May were higher than a month previous and above the total for May 1937. Corporates suffered in the same comparisons, but two large issues in early June were in themselves about three times as great as the entire May volume. One, the \$100,000,000 United States Steel Corporation offering, was the largest strictly industrial issue since 1929. These bonds were readily absorbed, mainly by banks and institutions. There seemed to be some willingness on the part of banks to accept bonds of somewhat longer maturities than has been their policy heretofore. The success of these large issues led to some increase in registrations of additional corporate offerings. Both corporate and municipal prices stood up well; although there was some decline in the former, the loss was recovered in early June. Rails, which are excluded from the above generalizations, remained dull.

Discount rates on Treasury bills continued nominal, the 91-day issue dated June 22 selling at an average of .016 per cent. The longer-term financing in mid-June was entirely a refunding operation. Chicago stock prices, as reflected by the Chicago Journal of Commerce average of 20 stocks, showed little change between the latter part of May and June 15. On that date the average stood at \$33.78, but then rose in the next week to \$37.42 by June 22.

## Agricultural Products

### CROP CONDITIONS

**C**ROP conditions in the Seventh Federal Reserve district were for the most part favorable on June 21. The prospective yield of small grains ranged from average to good, with wheat being harvested in the south, rye approaching harvest, and much of the oats and barley begin-

## Selected Seventh District Banking Data

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	June 15 1938	May 18 1938	Change from June 16 1937
Total bills and securities.....	\$ 278	\$ 0	\$ -2
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	277	0	-1
Total reserves.....	2,198	+102	+386
Member bank reserve deposits.....	1,343	+129	+336
All other deposits.....	142	-20	+59
Federal Reserve notes in circulation.....	957	-6	-10
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	\$9.9%	+0.3*	+1.8*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	June 15 1938	May 18 1938	Change from June 16 1937
<b>ASSETS</b>			
Loans and investments—total.....	\$2,841	\$ -6	\$ -220
Loans—total.....	848	-3	-128
Commercial, industrial, and agricultural loans:			
On securities.....	37	-2	-13
Otherwise secured and unsecured.....	447	-21	-86
Open-market paper.....	34	-4	-16
Loans to brokers and dealers in securities.....	36	+6	-17
Other loans for purchasing or carrying securities.....	78	+2	-18
Real estate loans.....	90	+1	+9
Loans to banks.....	5	0	-2
Other loans:			
On securities.....	45	+2	-1
Otherwise secured and unsecured.....	76	+13	+16
U. S. Government direct obligations.....	1,350	-22	-128
Obligations fully guaranteed by U. S. Government.....	204	+11	+31
Other securities.....	439	+8	+5
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,225	+96	-47
Time deposits.....	877	+5	+16
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended June 15 was 20.40 times, as compared with 19.51 times in the preceding four weeks and with 22.67 times in the corresponding period of 1937.

### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	May 1938	Per Cent of Increase or Decrease from April 1938	May 1937
Chicago.....	\$2,403	-8.2	-17.7
Detroit.....	699	+0.8	-34.6
Milwaukee.....	223	-10.6	-18.9
Indianapolis.....	167	-5.3	-17.6
Total four larger cities.....	\$3,492	-6.5	-21.8
37 smaller cities.....	667	-5.6	-17.7
Total 41 centers.....	\$4,159	-6.4	-21.2

### TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	May 1938	May 1937
Total country and city check clearings:		
Pieces.....	10,700,728	10,449,645
Amount.....	\$1,780,153,243	\$2,157,062,895
Daily average clearings:		
Total items cleared—		
Pieces.....	428,029	417,086
Amount.....	\$71,206,130	\$86,306,516
Items drawn on Chicago—		
Pieces.....	71,996	66,350
Amount.....	\$38,533,000	\$44,164,000
Items drawn on Detroit—		
Pieces.....	16,159	20,404
Amount.....	\$6,582,465	\$11,301,476



ning to turn color. However, some deterioration had taken place since June 1, especially in winter wheat; red rust had appeared in several localities and black rust had been identified in a few. Furthermore, rank growth and tangled condition of the straw seemed likely to preclude most efficient utilization of binders and combines in many areas. Corn planting was practically completed by June 21. Growth of the crop showed wide variation and was behind normal; the bulk of late varieties was only a little above ground, but the earliest varieties averaged fully a foot high. Despite delays occasioned by frequent and heavy rains, most corn had been cultivated at least twice by June 21; soybean seeding was 80 per cent finished. Early potatoes were in blossom and the planting of late potatoes was about completed. Pastures and meadows remained luxuriant. A considerable tonnage of alfalfa and clover had been cut; yields appeared heavy but dry weather was needed to prevent deterioration in windrows.

On the basis of June 1 condition, a local statistician estimates that the five States which include the Seventh Federal Reserve district will produce 509,154,000 bushels of oats in 1938 as against 580,788,000 bushels in 1937 and 473,417,000 bushels in the 1927-36 average. Commercial forecasts of the United States oats crop average 1,146,000,000 bushels, which equals the year-ago level and is 10 per cent above the average for 1927-36. The unofficial estimates also indicate that the United States crop of spring wheat will be around 267,000,000 bushels, a gain of 41 per cent over 1937 and of 29 per cent over the ten-year average.

The Federal Reserve Bank of Chicago made no independent survey of the spring pig crop in 1938; however, reports from other sources indicate an increase over a year ago of more than 10 per cent each in the Seventh Federal Reserve district and in the corn belt as a whole.

#### CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of June 1 condition  
(In thousands of bushels, unless otherwise specified)

	Five States Including Seventh District			United States		
	Forecast 1938	Final 1937	1927-36 Average	Forecast 1938	Final 1937	1927-36 Average
Winter wheat	107,232	115,080	81,763	760,623	685,102	546,396
Rye	10,484	13,632	7,221	55,138	49,449	36,454
Peaches	2,819(a)	5,258(a)	3,312(a)	50,920	59,724	52,498
Pears	1,786(a)	3,153(a)	1,771(a)	29,876	29,548	24,326
Strawberries*	1,092	1,754	1,134	12,061	11,951	11,489
Cherries**	24(b)	49(b)	34(b)	130(c)	145(c)	116(c)

\*In thousands of crates containing 24 quarts and on the basis of May 24 condition. \*\*In thousands of tons.

(a) Michigan, Illinois, Indiana, and Iowa. (b) Michigan and Wisconsin. (c) Twelve principal producing States.

#### GRAIN MARKETING

##### Wheat

THE May movement of wheat at interior primary markets in the United States expanded seasonally over April and was the largest for the month since 1933, though below the 1928-37 average for May. Exports of the grain were in greater volume than during April but not up to the level for the first quarter of the year. Continued prospects for a bumper domestic crop carried wheat prices to new low levels in the latter half of May, quotations for No. 2 hard winter wheat in cash positions at Chicago declining 16 to 20 cents over the period. However, in the first part of June disappointing yields in the Southwest together with the probability of rust damage in the major producing areas of the United States generated substantial price recoveries, these quotations standing at \$.87 and \$.91 on June 15; but by June 22 they had softened to \$.82½ and \$.86½, chiefly be-

cause of somewhat more favorable weather and yields in the winter wheat areas. Though continuing well in excess of 1937 stocks, visible supplies of wheat fell off one fourth in the four weeks ended June 18, and on that date totaled 72 per cent less than the ten-year average.

##### Corn and Oats

THERE was again an exceptionally large movement of corn during May at interior centers of accumulation. Exports for the month were in excellent volume. Chiefly influenced by heaviness in surrounding markets and diminished export sales, prices of No. 2 yellow corn for immediate delivery at Chicago softened considerably in late May, ending the month at \$.53¾ and \$.55½; but coincident with the rally in wheat, excessive rainfall in the corn belt during the first half of June, and lightened country marketings, these prices had recovered to \$.58¾ and \$.59¼ by June 22. Visible supplies of corn on June 18 were 26 per cent lower than a month earlier but four times greater than last year and 39 per cent over the 1928-37 average. Seasonal expansion over April was shown in the May oats movement. Visible supplies declined substantially from mid-May to mid-June, and price levels were mainly influenced by the action of other grains, notably wheat.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	May 1938	April 1938	May 1937	May 1928-37 Av.
Wheat:				
Receipts	14,562	11,063	7,365	17,175
Shipments	17,376	14,052	10,125	18,053
Corn:				
Receipts	31,204	29,532	9,264	14,145
Shipments	38,213	24,084	4,092	13,434
Oats:				
Receipts	5,195	4,313	4,698	7,775
Shipments	10,469	8,553	9,412	9,365

#### MOVEMENT OF LIVESTOCK

MORE than seasonal expansion was recorded during May in marketings of livestock at public stockyards in the United States, and cattle and lamb volumes rose above the 1928-37 average for the month. Seasonal increases were shown in the movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—except for calf slaughter, which declined fractionally. The May hog slaughter totaled 23 per cent higher than in May 1937, but for the fourth consecutive month was one fourth below the ten-year average for the month; other livestock slaughter remained in excess of this average. Shipments of lambs to feed lots during May were exceptionally heavy.

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, May 1938	188	477	247	88
Federally Inspected Slaughter, United States:				
May 1938	772	2,585	1,550	500
April 1938	749	2,462	1,425	502
May 1937	745	2,099	1,371	561

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended June 15 1938	May 1938	Months of April 1938	May 1937
Native Beef Steers (average)	\$9.45	\$9.75	\$8.65	\$11.20
Fat Cows and Heifers	7.70	7.40	7.50	8.55
Calves	8.40	8.90	8.85	9.25
Hogs (bulk of sales)	8.60	8.20	8.40	10.80
Lambs	8.90	7.85	8.45	10.85

## MEAT PACKING

**A**CTIVITY at slaughtering establishments in the United States increased during May. The production of packing-house commodities rose 5 per cent over April to a level 17 per cent higher than a year ago, but was 10 per cent below the 1928-37 May average. Though remaining 8 per cent lighter than the ten-year average for the month, the tonnage sold during May not only increased 4 per cent over April and over a year earlier, but continued more than seasonally in excess of current production. The general price level of packing-house commodities advanced somewhat in May over April despite easier quotations for lard, lamb, and a few pork cuts; it was, however, much lower than for last May. Dollar sales billed to domestic and foreign customers in May totaled 6 per cent greater than in April, and were one per cent larger than the 1928-37 average for the period but 13 per cent less than in the corresponding 1937 month. As a consequence of the foregoing trends, payrolls in the industry recorded increases at the close of the period over April, of one per cent in number of employes, 3 per cent in hours, and 2 per cent in wage payments. The margin of decrease from a year ago narrowed during the month to 8 per cent each in hours worked and wage payments, and to 9 per cent in employment. Inventories of packing-house commodities in the United States fell off more than seasonally on June 1 from the beginning of May, and were 20 per cent lighter than the 1933-37 average for the date. Production remained above a year ago through the first half of June.

### Foreign Trade

**S**HIPMENTS of packing-house commodities for export gained in May over April, largely owing to the summer reduction in inland and ocean rates. In British markets, United States lard moved freely, the bacon trade improved, and there was a good demand for hams. Czechoslovakia continued to purchase fair quantities of lard and dry salt meats, sales to Cuba and Porto Rico increased, and Europe bought moderate amounts of oleo oils. Quotations for United States packing-house commodities in Czechoslovakia and for meats in the United Kingdom were close to the Chicago parity; prices in other foreign markets and those of lard in England were somewhat under the United States basis. Inventories of United States animal products in foreign markets—inclusive of stocks in transit—increased on June 1 over a month earlier. United States imports of animal products declined in May from the relatively high level of April.

## DAIRY PRODUCTS

**C**ONTINUED excellent pasturage during May effected seasonal expansion over the high April levels in butter and cheese manufacture. Creamery butter production by Seventh district plants was the largest for any month since July 1935, aggregating 49 per cent greater than in April, 15 per cent more than in May 1937, and one per cent above the 1928-37 average for the month. Similar trends were shown for butter make in the United States, except that not so heavy an increase was recorded over April. Seventh district butter sales likewise expanded considerably, exceeding the April, year-earlier, and May average levels by 26, 12, and 6 per cent, respectively. Total United States stocks of creamery butter on June 1 were 35 million pounds larger than a month previous—a much greater than seasonal expansion—and stood also heavily in excess of year-ago inven-

tories and the 1933-37 average for the date. After earlier declines, butter prices at Chicago held steady in the latter half of May; quotations softened somewhat in the first week of June but had completely recovered by June 22, mainly owing to extensive Government purchases.

The manufacture of American cheese in Wisconsin increased 28 per cent in May over April, totaled 33 per cent greater than in the same month of 1937, and was 21 per cent more than the 1928-37 May average. Tonnage distribution of cheese from Wisconsin primary markets, however, declined in all of these comparisons, aggregating 23, 17, and 10 per cent, respectively, less than a month earlier, a year ago, and the ten-year average for the period. United States inventories of cheese rose 15 million pounds in May and by June 1 the excess over the 1933-37 average had almost doubled to 25 million pounds. Cheese prices held steady until late May, and after a slight downward adjustment remained unchanged through the first three weeks of June.

## Industrial Employment Conditions

**F**URTHER losses in employment and payrolls were indicated by May reports from Seventh district industries. The number of workers employed and their aggregate compensation were lower than a month earlier, and declines from a year ago continued to show an appreciable widening. Losses in the latter comparison amounted to 28 per cent in employment and 39 per cent in wage payments, the result of a movement which except for last October has been almost steadily downward for the past twelve months. The April-to-May decline was heavier in durable than non-durable goods and, contrary to the trend a month earlier, affected non-manufacturing as well as manufacturing industries. A marked deviation from the general decline was furnished by the stone-clay-and-glass products group within which practically all of the industries represented, especially the manufacture of cement, registered substantial expansion. The food products group also showed appreciable gains in

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of May 15, 1938			Change from April 15, 1938	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers	Earn- ings
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,797	354,801	8,767	-3.3	-4.5
Vehicles.....	434	230,164	6,532	-5.6	-7.9
Stone, Clay, and Glass.....	282	19,883	472	+6.3	+9.9
Wood Products.....	482	37,569	725	-2.2	-3.3
Total.....	2,995	642,417	16,496	-3.8	-5.4
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	408	58,609	961	-4.6	-7.5
Food and Products.....	1,053	101,056	2,668	+1.0	+2.1
Chemical Products.....	300	33,339	1,019	-0.9	+0.2
Leather Products.....	168	20,205	373	-0.8	-3.1
Rubber Products.....	34	12,602	232	-1.2	-14.4
Paper and Printing.....	750	71,828	1,947	-3.5	-4.2
Total.....	2,713	297,639	7,200	-1.7	-2.1
Total Mfg., 10 Groups.....	5,708	940,056	23,696	-3.1	-4.5
Merchandising <sup>2</sup> .....	5,498	131,482	2,913	-4.1	-2.1
Public Utilities.....	1,126	107,341	3,590	-0.1	-0.2
Coal Mining.....	25	3,091	73	+0.3	+5.3
Construction.....	767	10,686	295	+15.6	+13.6
Total Non-Mfg., 4 Groups.....	7,416	252,600	6,871	-1.7	-0.4
Total, 14 Groups.....	13,124	1,192,656	30,567	-2.8	-3.6

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.

both employment and payrolls, the first recorded in the monthly comparison since last September. Most of the major manufacturing industries had somewhat heavier declines in wage payments than in volume of employment during the current month, which trend was the reverse of that shown during the preceding period.

Under the non-manufacturing classification, the construction industries continued to improve seasonally, and coal mining showed a moderate gain in wage payments, though little change in employment volume. Merchandising concerns, however, laid off about as many workers as had been added a month earlier, which was mainly instrumental in reducing the aggregate for the non-manufacturing classification.

## Petroleum Refining

PETROLEUM refineries in the Indiana, Illinois, and Kentucky area were operating at 82½ per cent of capacity in the week ended June 11, the rate having shown a fairly steady decrease from the 90 per cent of capacity reached four weeks earlier. The daily average of crude runs to stills in this area for the entire month of May was a fraction of one per cent higher than in April but about 7 per cent lower than a year ago. The decline in this latter comparison has widened slightly since it first became evident two months previous. Crude runs to stills in the United States as a whole also showed little change in the daily average for May from a month earlier, while as compared with last year a loss of one per cent reversed a trend that had previously been favorable.

## Manufacturing

### IRON AND STEEL PRODUCTS

THE trend of activity in the steel and allied industries of this district remains, for the most part, essentially unchanged, with demand continuing light, output at a low level, and little prospect for material improvement in the near future. Steel ingot production of Chicago district mills averaged only 24½ per cent of capacity in the third week of June, as compared with 29 per cent a month previous and with 64 per cent a year ago at the same time when strikes at independent mills had curtailed output rather sharply. Pig iron production in the Illinois and Indiana district receded in May from April and was only about 35 per cent of the May 1937 level. Scrap iron and steel prices declined in the first week of June.

New business booked by reporting steel and malleable casting foundries of the Seventh district recorded a further falling-off in May, although the decline in orders for steel castings was much less sharp than a month previous, totaling 10 per cent in tonnage volume and 14 per cent in dollar value; while the decreases at malleable casting foundries amounted to 15 per cent in each unit of measurement. Tonnage shipments of steel castings decreased by one per cent from the preceding month, and their dollar value was 4 per cent smaller; shipments of malleable castings declined 3 per cent in tonnage and one per cent in value from April. Production of steel castings was curtailed 13 per cent in May, and that of malleable castings 9 per cent. Declines from a year ago remained very large in all phases of foundry activity, ranging from 70 to above 80 per cent at steel casting foundries and around 60 to 70 per cent at malleable casting foundries.

At stove and furnace factories of the district, shipments rose 4 per cent, production expanded 8 per cent, and new orders accepted increased 81 per cent in the aggregate for May over a month earlier, the large gain in this last item being due to advance orders placed for the season with a few firms. Shipments and production were 38 and 47 per cent lighter, respectively, than in May 1937, but new orders showed a decline of only 12 per cent because of increases recorded in the comparison by a minority of the reporting companies. Little change took place in inventory volumes between April 30 and the end of May.

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

SOME further slowing-down was apparent during May in the production of automobiles. Output of passenger cars in the United States amounted to 154,958 units, which number is 12 per cent lower than that of the preceding month, while trucks produced numbered 37,110, or 14 per cent less than in April. As compared with May last year, current production of passenger vehicles and trucks totaled 64 and 59 per cent smaller, respectively.

Sales of new automobiles in the Seventh district fell off rather noticeably in May, at both wholesale and retail, and margins of decline from the corresponding 1937 month widened somewhat. Dealer stocks, however, continued to diminish and at the end of May totaled but slightly heavier than a year ago at the same time, with a number of reporting firms having lighter stocks in this comparison. Used-car sales numbered a little greater in May than a month previous, but were much smaller than in May 1937. The number of salable used cars on hand May 31 was somewhat less than either a month earlier or on the corresponding 1937 date.

DISTRIBUTION OF AUTOMOBILES  
SEVENTH FEDERAL RESERVE DISTRICT

	May 1938 Per Cent Change from		Companies Included
	April 1938	May 1937	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	—22.0	—70.9	13
Value.....	—20.3	—67.2	13
Retail—			
Number Sold.....	—20.4	—50.8	28
Value.....	—22.7	—45.5	28
On Hand End of Month—			
Number.....	—12.9	+ 0.6	28
Value.....	—10.5	+11.0	28
<b>Used Cars:</b>			
Number Sold.....	+ 1.4	—34.1	28
Salable on Hand—			
Number.....	— 6.9	— 8.5	28
Value.....	—3.4	+ 0.0	28

### FURNITURE

MANUFACTURERS of furniture in the Seventh district booked orders during May that totaled 7 per cent heavier than the volume of the preceding month. The 1928-37 May average shows an increase of 13 per cent for the period. Shipments fell off 15 per cent from April, as compared with a decline of but 8 per cent in the average. Decreases from a year ago amounted to 36 per cent in orders and to 42 per cent in shipments, with both items about 20 per cent below the ten-year average for May. Because shipments totaled smaller than new business and cancellations were relatively light, unfilled orders at the end of May exceeded those of a month earlier by 13 per cent and their ratio to orders received rose from 82 per cent in April to 87



per cent. However, this latter percentage compared with 116 per cent last May and the aggregate of orders on hand was 52 per cent less than at that time. The level of manufacturing operations remained the same in May as in April, at around 50 per cent of capacity, and was 30 points under that of a year ago.

#### PAPER AND PULP

**A** FURTHER gain was registered during May in orders booked at Seventh district pulp and paper mills and the comparison with 1937 became much more favorable. However, output of both paper and pulp continued to trend downward. Pulp mills operated at 78 per cent of capacity during May and paper plants at 74 per cent; in the same 1937 period the paper and pulp industry was running at practically 100 per cent capacity.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	May 1938 Per Cent of Increase or Decrease from	
	April 1938	May 1937
<b>Paper:</b>		
New orders booked (tons).....	+ 3.9	- 2.0
New orders booked (dollars).....	+ 4.6	+ 2.1
Total shipments (tons).....	- 3.9	-26.2
Total shipments (dollars).....	- 2.4	-26.0
Total production (tons).....	- 4.2	-28.2
Stocks on hand at end of month (tons).....	+ 5.1	+42.2
<b>Pulp:</b>		
Pulp produced (tons).....	- 5.4	-25.0
Stock on hand at end of month (tons).....	+ 0.4	+67.3

### The Building Industry

#### CONSTRUCTION

**C**ONTRACTS awarded during May in the Seventh district were the highest since last July and, for the first time this year, considerably in excess of the corresponding 1937 volume. Residential building, which comprised nearly one fourth of the total awards, shared to a moderate degree in both the monthly and yearly increases. The greater part of the gain, however, was contributed by public works and utilities projects, the aggregate of which types of construction was about two and one-half times the volume of the preceding month and more than three times that recorded for last May.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
May 1938.....	\$50,101,000	\$12,126,000
Change from April 1938.....	+37.8%	+15.6%
Change from May 1937.....	+33.9%	+ 3.5%
First five months of 1938.....	\$156,386,000	\$40,680,000
Change from same period 1937.....	-23.8%	-30.2%

\*Data furnished by F. W. Dodge Corporation.

Permits issued in 100 cities of the Seventh district numbered 4 per cent more in May than in April but showed an estimated cost that was 5 per cent lower. Both the number and value of permits totaled less than a year ago, by 13 and 16 per cent, respectively. Decreases in estimated cost of prospective building were especially heavy in Chicago and the smaller cities of Illinois and Michigan, in both the monthly and yearly comparisons.

#### MATERIALS

**A**LTHOUGH the wholesale distribution of lumber was somewhat lower in May than a month earlier, the percentage of seasonal expansion for the year to date has

been about as great as in the 1928-37 average. Retail distribution of the material increased seasonally in May, and the expansion for the year so far has been only slightly under the average. Total sales at reporting retail yards, on the other hand, have recorded a less favorable trend than usual this year, and in May registered a 4 per cent rise from a month earlier, as against an average April to May increase of 9 per cent. In the comparison with a year ago, the wholesale distribution of lumber showed a somewhat wider margin of decline in May than was the case a month earlier, while at retail the decreases were practically the same as in April. Outstanding accounts at the end of May were heavier in ratio to sales for both wholesale and retail dealers than either a month or a year previous. Cement shipments were affected by frequent rains during a large part of May and showed considerably less than the 50 per cent gain over April that is usual for the period. Brick deliveries in the Chicago district were delayed by strike conditions and were under those of a month earlier and the same month of 1937.

#### LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	May 1938 Per Cent Change from		Number of Firms or Yards
	April 1938	May 1937	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	-11.0	-48.7	9
Sales in Board Feet.....	-14.8	-51.2	7
Accounts Outstanding <sup>1</sup> .....	- 6.9	-35.0	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	+ 4.4	-18.8	176
Lumber Sales in Dollars.....	+12.8	-24.2	94
Lumber Sales in Board Feet.....	+11.3	-19.3	108
Accounts Outstanding <sup>1</sup> .....	+ 6.1	-13.1	174
<b>Ratio of Accounts Outstanding<sup>1</sup> to Total Dollar Sales during Month</b>			
	May 1938	April 1938	May 1937
Wholesale Trade.....	170.0	162.5	134.2
Retail Trade.....	217.0	212.5	201.8

<sup>1</sup>End of Month.

### Merchandising

#### WHOLESALE TRADE

**C**ONTRA-SEASONAL recessions of 9 and 6 per cent, respectively, took place during May in sales of wholesale grocery and electrical goods firms of the Seventh district. The gain of 7 per cent over April in the hardware trade and the decline of one per cent in drug sales were the same as shown in the 1928-37 average for May. Miscellaneous lines sold a dollar volume totaling 3 per cent smaller than a month previous. As in April, grocery sales aggregated very slightly less than in the corresponding 1937 month; the decreases recorded from a year ago in the electrical goods business and in the miscellaneous group were about

#### WHOLESALE TRADE IN MAY 1938\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	- 0.0	-12.3	+ 2.2	- 1.3
Hardware.....	-20.8	-22.2	-16.9	-22.1
Drugs.....	-10.0	-11.1	- 9.0	-14.2
Electrical Goods.....	-26.1	-20.1	- 7.8	-24.9
Miscellaneous.....	-14.0	-15.0	- 5.4	-11.0

\*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce.



the same as a month earlier; while the margin of difference in hardware and drug sales was narrowed somewhat. In all phases except the miscellaneous group, stocks totaled lighter at the close of May than on April 30 and in all lines were much smaller than last year at the same time.

### RETAIL TRADE

**S**ALES of reporting Seventh district department stores declined 8 per cent in the aggregate for May from April, with recessions noticeably large in Detroit and Milwaukee. The margin of decrease from a year ago widened in May to 22 per cent from 11½ per cent a month earlier; Detroit stores continued to show by far the heaviest loss from the corresponding 1937 period. Stocks remained 10 per cent smaller than last year, and recorded a slight decrease in volume from the preceding month. For the year to date, stock turnover has been 1.64 times, as compared with 1.81 times in the first five months of 1937.

\* \* \*

The 5 per cent increase shown during May over April in sales of furniture and housefurnishings by reporting dealers and department stores compared with a gain of 10 per cent in the 1928-37 average for the month, but the margin of decline from a year ago remained about the same as a month earlier—30 per cent. There was a 3 per cent decrease in stocks during May, and at the end of the month they stood 11 per cent smaller than at the close of the same month in 1937.

### DEPARTMENT STORE TRADE IN MAY 1938

Locality	Per Cent Change May 1938 from May 1937		Per Cent Change First Five Months 1938 from Same Period 1937	Ratio of May Collections to Accounts Outstanding End of April	
	Net Sales	Stocks End of Month	Net Sales	1938	1937
Chicago.....	-18.1	-11.5	-12.9	30.8	32.5
Detroit.....	-36.4	-7.8	-25.1	41.2	45.9
Fort Wayne.....	-18.3	.....	-11.0	.....	.....
Indianapolis.....	-14.2	-11.0	-8.9	37.0	39.2
Milwaukee.....	-19.2	-10.3	-10.3	37.6	40.2
Peoria.....	-18.6	.....	-10.7	.....	.....
Other Cities.....	-17.9	-4.4	-11.1	32.1	34.2
7th District.....	-22.0	-9.9	-14.8	34.9	37.6

\*Include Fort Wayne and Peoria.

\* \* \*

Following a considerably greater than seasonal expansion in April, sales of shoes by reporting dealers and department stores fell off 17 per cent in May, whereas the 1928-37 average for the period shows an increase of 9 per cent. The dollar volume sold in the current month totaled 24 per cent less than in May last year, in contrast to a 15 per cent gain recorded in April over the corresponding 1937 month. In the first five months of this year, sales were 12 per cent below those of the same period a year ago. Only a fractional rise took place in stocks between April 30 and the close of May, and they were 6 per cent lighter than on May 29, 1937.

### MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

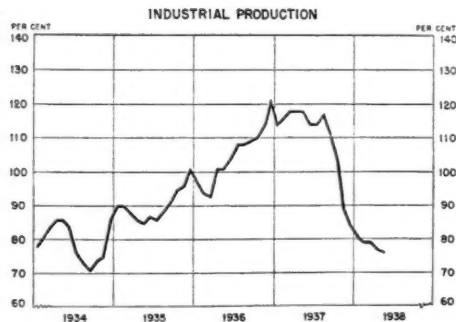
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.

	No. of Firms	May 1938	April 1938	Mar. 1938	Feb. 1938	Jan. 1938	Dec. 1937	May 1937	Apr. 1937	Mar. 1937	Feb. 1937	Jan. 1937	Dec. 1936
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	45	87	82	83	84	89	83	99	95	95	92	101	96
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	26	27	42	30	33	47	109	119	124	104	95	73
In Tons.....	12	18	18	34	22	25	37	108	123	136	114	102	77
Malleable—In Dollars.....	21	34	34	37	36	38	49	80	85	88	74	69	66
In Tons.....	21	40	41	45	43	46	60	102	112	122	103	95	96
<b>Stores and Furnaces—</b>													
Shipments (in dollars).....	14	94	91	90	64	46	124	152	168	147	99	95	214
<b>Furniture—</b>													
Orders (in dollars).....	33	51	47	56	53	66	37	80	82	96	76	112	68
Shipments (in dollars).....	33	46	54	68	52	37	51	80	92	101	83	67	82
<b>Output of Butter by Creameries—</b>													
Production.....	59	151	101	87	77	78	78	131	90	80	70	72	77
Sales.....	61	138	110	110	100	101	98	123	100	98	90	85	93
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	27	66	70	63	54	57	64	66	70	72	60	65	70
Hardware.....	11	81	72	73	54	52	75	107	108	101	70	64	93
Drugs.....	13	67	68	76	69	76	89	74	82	86	77	85	90
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	20	79	82	86	67	69	148	95	93	100	76	78	157
Detroit.....	6	80	94	87	71	74	180	118	117	113	93	88	194
Indianapolis.....	4	95	100	97	75	84	172	110	101	116	82	79	177
Milwaukee.....	5	82	98	95	71	74	161	102	104	105	78	78	163
Other Cities.....	40	77	82	79	62	62	144	91	86	90	67	64	149
Seventh District—Unadjusted.....	84	80	87	86	68	70	156	100	97	102	78	78	184
Adjusted.....	84	79	82	95	85	88	93	99	98	104	97	97	98
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....	53	60	59	48	53	53	83	145	150	138	101	106	145
Trucks.....	99	115	127	125	143	217		243	255	240	179	186	195
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....	41	36	34	15	13	16		40	52	52	28	27	28
Total.....	73	53	49	25	28	38		55	69	69	42	64	50
<b>Pig Iron Production*—</b>													
Illinois and Indiana.....	48	52	51	47	49	53		133	130	127	123	120	117

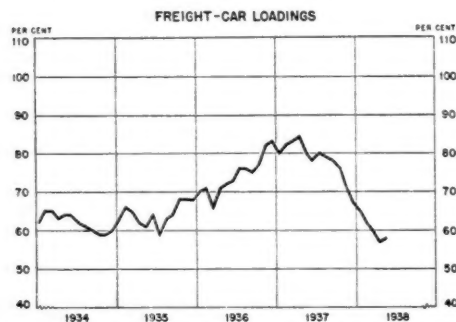
\*Average daily production.

# National Summary of Business Conditions

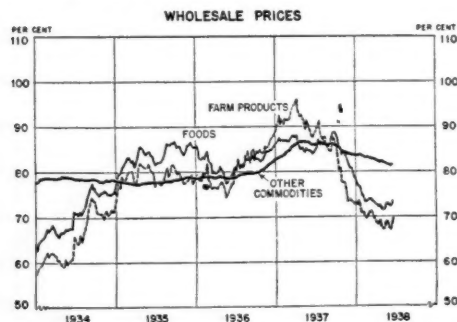
(By the Board of Governors of the Federal Reserve System)



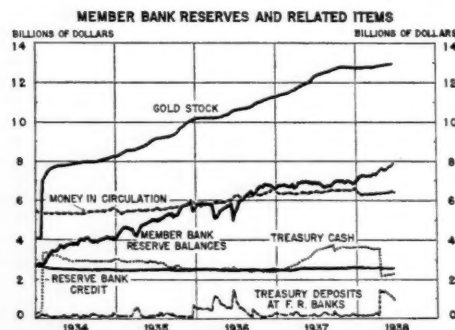
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to May 1938.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to May 1938.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending June 18, 1938.



Wednesday figures, January 3, 1934, to June 15, 1938.

**I**N MAY and the first three weeks of June industrial activity showed little change from the April level. Wholesale commodity prices generally declined further, but in June wheat and cotton prices advanced and at the end of the period some other staple commodities showed increases.

## PRODUCTION

**I**N MAY the Board's seasonally adjusted index of industrial production was at 76 per cent of the 1923-1925 average as compared with 77 in April and an average of 79 in the first quarter of the year. Steel ingot production, which in March and April had been at a rate of 33 per cent of capacity, averaged about 31 per cent in May, and automobile output also showed a decrease. Textile production increased in May, activity at woolen mills rose sharply and there was some increase at cotton mills, while silk mills showed a decline. Changes in output in most other manufacturing industries were largely seasonal in character. Output of crude petroleum was curtailed sharply in May, and bituminous coal production declined somewhat, while anthracite production increased considerably. Lake shipments of iron ore were in very small volume, reflecting both the low rate of activity in the iron and steel industry and the large supply of ore remaining from the previous season.

In the first three weeks of June output of steel and petroleum increased somewhat, but the rate of activity in these industries remained below the average for May. Automobile production showed a further decline and continued below sales, so that stocks of new cars were further reduced.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a substantial increase in May, reflecting chiefly a marked rise in awards for publicly-financed projects. Contracts for residential building increased moderately and were in about the same amount as in May a year ago. Other privately-financed work remained in small volume.

## EMPLOYMENT

**F**ACTORY employment and payrolls continued to decline from the middle of April to the middle of May. There were further decreases in employment in the machinery, steel, and automobile industries and a sharp decrease in the number employed in the men's clothing industry. In most other manufacturing lines changes in employment were small in amount. The number employed at mines and on the railroads continued to decline.

## DISTRIBUTION

**D**EPARTMENT store sales declined considerably in May and the Board's seasonally adjusted index was at 79 per cent of the 1923-1925 average as compared with 83 in April. Sales at variety stores and by mail order houses also decreased from April to May. Reports for the first half of June indicate about the usual seasonal decline in department store sales.

The volume of railroad freight traffic showed little change in May following sharp declines in previous months.

## COMMODITY PRICES

**P**RICES of both agricultural and industrial commodities decreased in the latter part of May. In the first three weeks of June wheat and cotton prices advanced, while prices of industrial products generally continued to decline.

## BANK CREDIT

**R**ESERVES of member banks continued to increase in May and June, largely as the result of Treasury disbursements from its deposits with the Reserve banks. Excess reserves increased chiefly at city banks, reflecting retirement of Treasury bills and further expansion of bankers' balances.

Demand deposits at reporting member banks in 101 leading cities increased further during the first half of June, and total loans and investments, which had declined in May, also increased, reflecting substantial purchases of United States Government obligations by New York City banks.

## MONEY RATES

**Y**IELDS on Treasury bonds declined further in the four weeks ending June 18, and those on Treasury notes reached new low levels. Rates on open-market commercial paper declined somewhat about the middle of June.

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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

